# HANDY & HARMAN
## ANNUAL REPORT 1972

a family of
special metals
manufacturing
companies

## HANDY AND HARMAN 1972 ANNUAL REPORT TO SHAREHOLDERS

The Annual Meeting of the Shareholders of Handy & Harman
will be held on April 24, 1973 at the Morgan Guaranty Trust Company of New York,
299 Park Avenue, New York City at 11:00 a.m.

## BOARD OF DIRECTORS

THEODORE W. ATKINSON
PHILIP L. CARRET*
LEONARD C. CREWE, JR.
WILLIAM L. GREY
WILLIAM H. NEWMAN*
GEORGE J. PEER
PAUL L. PEYTON*
M. WILBUR TOWNSEND*
FRANCIS H. WEMPLE
EZRA K. ZILKHA*

*Member of Executive Committee

## OFFICERS

M. WILBUR TOWNSEND
Chairman of the Board and President

THEODORE W. ATKINSON
Group Vice President

CHARLES D. COXE
Vice President—Research and Development

LEONARD C. CREWE, JR.
Group Vice President

RICHARD N. DANIEL
Vice President and Controller

PHILIP G. DEUCHLER
Vice President—Marketing

LEIF C. KRONEN
Secretary and Counsel

GEORGE J. PEER
Group Vice President

FRANCIS H. WEMPLE
Vice President and Treasurer

## GENERAL COUNSEL

Breed, Abbott & Morgan

## AUDITORS

Hurdman and Cranstoun, Penney & Co.

## TRANSFER AGENT

Morgan Guaranty Trust Company of N.Y.

## REGISTRAR

The Chase Manhattan Bank (N.A.)

## STOCK LISTING

New York Stock Exchange Ticker Symbol: HNH

**COVER:**
The HH symbols on the map show the headquarters locations of Handy & Harman and its U.S. divisions and subsidiaries. Plants, sales offices, service centers and overseas operations are listed on the inside back cover.

## TO OUR SHAREHOLDERS

■ In last year's annual report, we said that we thought 1972 would show a significant improvement over 1971, and that opinion has indeed been justified by a dramatic recovery in our earnings. Sales amounted to $235,044,000 in 1972 compared to $171,973,000 for 1971, an increase of 37%. Income after taxes from continuing operations, before operating and liquidating losses of Electric Thermometers Trinity, amounted to $3,271,000 in 1972 compared to $1,285,000 in 1971 as restated, an increase of over 150%. These amounts were equivalent to $1.41 and $.55 per share respectively. Attention is directed to the five year summary of statistical highlights appearing on page 5.

■ In making our prediction for 1972 we outlined the principal reasons for such a forecast and wish to repeat them briefly here. First, we expected an improvement in business in 1972 and this did indeed occur, providing a favorable background for earnings growth. Second, the unavoidable problems and the substantial costs which resulted from the long nation-wide smelter strike in 1971 were largely behind us as 1972 got underway. Third, the new refinery at Attleboro, Massachusetts, came on line in 1972, and refining levels of both gold and silver substantially achieved projected goals.

■ Also of importance, not just in 1972 but long range as well, are the operating improvements we are achieving through better systems and controls. Significant cost savings have already been realized, and there will continue to be others in the future. Most important, these improved systems and controls permit us to develop a much sounder basis for evaluating our present position and for planning the direction of future growth.

■ Some costs are outside our control, and in this area two developments in 1972 deserve comment. First, tropical storm Agnes, which hit the eastern states in June, caused severe flooding at our Maryland Specialty Wire subsidiary in Cockeysville, Maryland, resulting in extensive damage to plant and office equipment and seriously disrupting production for many weeks. Secondly, the trend of gold and silver prices was steadily upward throughout the year, at times quite sharply, and accordingly our need for borrowed money tended to increase. At the same time the prime bank rate, which is the rate at which we borrow for working capital needs, also increased. In spite of these developments we were able to hold the line on interest costs through improved inventory controls and better cash management.

■ Price controls, which were imposed in August of 1971, created a considerable administrative burden, but we were able to operate within our permitted margins

throughout the year. Indeed in most areas our competition provided more severe limitations than price ceilings. The transition to Phase III has introduced new elements of uncertainty, and it is not at all clear what the ultimate impact will be on the economy in general and on our business in particular.

■ A well conceived, long range research and development program has always been and will continue to be one of the important contributors to our company's growth. The major effort of this program is directed toward the precious metals part of our business, with the work carried on in our laboratories at Fairfield, Connecticut. In addition there are technical staff and laboratory facilities at other plant locations throughout the United States and Canada.

■ Due to the complexity of our various product lines and refining services, research involves many aspects, and we are continually developing improvements in alloy characteristics and manufacturing processes. To illustrate the kinds of things we are doing in this area we cite three examples among many. First, in one of our principal lines of electronic alloys we have increased our yields and at the same time have achieved improvements in quality. Second, we have made a number of alloy modifications designed to meet the new demands created by today's advancing technology, particularly in the field of nuclear energy. Third, we are improving our ability to achieve shorter time cycles in the recovery of metal values from industrial scrap, thereby helping to hold the line on rising financing expenses which have become an increasingly significant part of the cost of refining precious metals.

■ In addition to bringing about growth through internal development, we have for some time been seeking additional growth and diversification through acquisitions. For the past few years about two-thirds of our earnings on the average have been derived from precious metal operations and one-third from non-precious metals. Our goal is to make these two segments about equal in proportion, and we fully expect to make progress in this direction in 1973. In February 1973 we acquired Automated Process Systems, Inc., a small company in Elk Grove Village, Illinois, which designs conveyor systems for a wide variety of industrial applications. Through our Metalsmiths Division we have for some time been a major supplier of stainless steel belts which are used in the processing of food, chemicals, plastics, tobacco and other products. More and more, these industries are seeking entire conveyor systems of which belts are only a part, and through A.P.S. we are now acquiring the capability of designing and building such systems. In this way we expect to accelerate the growth in this segment of our business.

■ Diversification into non-precious metal activities does not restrict efforts to expand our precious metal business. In October 1972, we established a company in Japan in which we have a 45% interest. The new company, which is called Japan Handy Harman, Ltd., produces silver and silver alloy products for industrial applications. Our Japanese partners are Mizuno Precious Metals Company, Ltd., which also owns 45%, and Ataka, Ltd., a world-wide importer and exporter of metals and other industrial materials, which owns 10%. This new venture represents a small beginning, but we expect that it will ultimately help us benefit from the opportunities offered by the industrialization and economic growth taking place throughout Asia.

■ In our business, which involves high value materials, the minimizing of risks and the adequate insuring of exposures are of special significance. In the past

several years the number of thefts in the precious metals industry in general has increased very rapidly. The result has been skyrocketing insurance rates, increased deductibles, and in some instances even reduced coverage. Starting about two years ago we engaged the services of a professional security consultant and began a long range security program at all of our locations using high value metals. This program has involved major investments in alarm and security devices, materials handling systems and personnel procedures, and we believe that we now have as good protection against criminal acts as can be found in any comparable company. Our insurance carriers recognize the importance of improved security, which has been reflected in our loss experience. Not only has the sharp upward trend in premiums been arrested, but improved coverage and in some cases even premium reductions have been achieved.

■ The outlook for Handy & Harman in 1973 is favorable. In spite of a number of uncertainties on the horizon of the general economy, we are confident of being able to accomplish still further and significant gains in 1973 on top of last year's good showing.

M. W. Townsend

M. W. TOWNSEND
Chairman of the Board and President

March 19, 1973

## FIVE YEAR SUMMARY OF STATISTICAL HIGHLIGHTS
**(dollars in thousands—except per share figures)**

| | 1972 | 1971 | 1970 | 1969 | 1968 |
|---|---|---|---|---|---|
| Net Sales | **$235,044** | $171,973 | $161,229 | $214,281 | $207,475 |
| Income from continuing operations | **$ 3,271** | 1,285 | 2,897 | 4,857 | 4,865 |
| Net income | **$ 2,745** | 1,116 | 2,669 | 3,850 | 4,315 |
| Working capital | **$ 28,827** | 27,114 | 18,568 | 21,846 | 22,674 |
| Property, plant & equipment-net | **$ 22,464** | 23,162 | 22,375 | 19,042 | 16,209 |
| Total assets | **$112,763** | 102,340 | 96,561 | 94,245 | 94,894 |
| Shareholders' equity | **$ 31,387** | 30,336 | 31,322 | 30,943 | 28,786 |
| Average shares outstanding (nearest thousand) | **2,322** | 2,334 | 2,359 | 2,359 | 2,372 |
| Dividends paid | **$ 1,672** | 1,678 | 1,707 | 1,497 | 1,370 |
| Per share of common stock: | | | | | |
| Income from continuing operations | **$ 1.41** | .55 | 1.23 | 2.06 | 2.05 |
| Net income | **$ 1.18** | .48 | 1.13 | 1.63 | 1.82 |
| Dividends paid | **$ .72** | .72 | .72 | .66 | .60 |
| Number of shareholders | **2,781** | 2,751 | 2,840 | 2,758 | 2,821 |
| Number of employees | **2,178** | 2,035 | 2,000 | 2,100 | 2,400 |

**Amounts shown have been restated to give retroactive effect of poolings of interests transactions and adoption of equity method of accounting.**

# Handy & Harman is a family of companies...

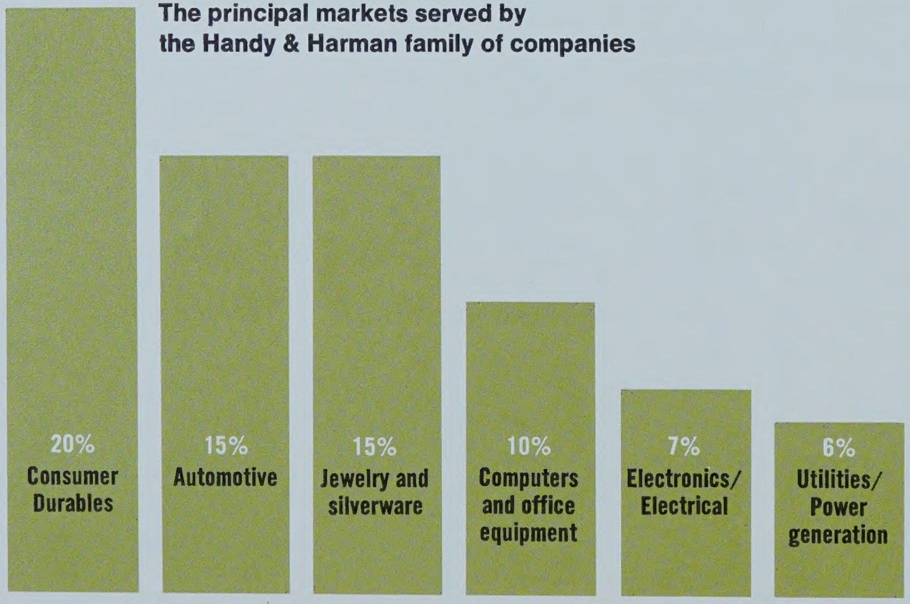
Handy & Harman was born over a century ago, in 1867. The company began as a dealer in silver and gold bullion, but at the turn of the century became a processor of precious metals—alloying and rolling silver and gold, and refining precious metals from industrial scrap.

Today Handy & Harman takes its place among the "Fortune 500." Its stock is traded on the New York Stock Exchange. And it has grown, through a policy of selective acquisition, into a family of companies that makes a specialized and distinctive contribution to the economic life of our country. (The chart below shows the segments of the economy that are the largest users of the products made by the Handy & Harman family of companies.)

What do the members of this "family" have in common? They are all special metals manufacturing companies. Their operations are characterized not by tonnage commodity output, but rather by the production of metal items requiring specialized equipment, high skills—and a faculty for innovation.

In this kind of operation, people are especially important. In this year's annual report, we would like you to meet the people who lead the companies in our "family"—the management teams of Handy & Harman and its subsidiaries. We want, also, to tell you a little about these special metals manufacturing companies—and what makes each of them special . . .

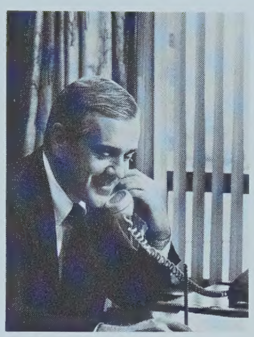
**The principal markets served by the Handy & Harman family of companies**

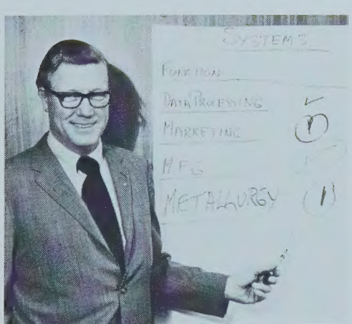


## our parent company

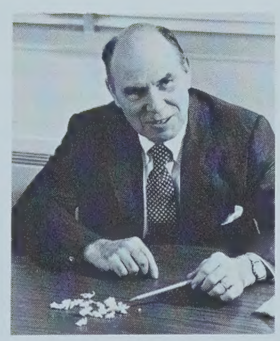
Handy & Harman, our parent company, is a leading fabricator and refiner of precious metals (as it has been since 1900). Its silver brazing alloys join an endless diversity of metal assemblies. Its many precious metal alloys and clad metal "sandwiches" are used in everything from coins to candlesticks to computers. In addition, the company makes fine sterling anodes, silver grain and wire, silver contact alloys, fine gold, and gold alloys in sheet, wire and powder forms. Its refining operation—the recovery of precious metals from industrial scrap—has become an especially significant operation in our ecology-minded age. Below are pictured key Handy & Harman management people—men responsible for the company's day-to-day activities in research and development, marketing, production and sales.


C. D. Coxe, Vice President-Research & Development


P. G. Deuchler, Vice President-Marketing

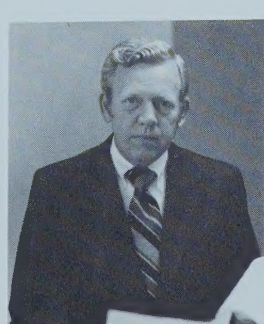


W. J. Clarke, Plant Mgr., Fairfield, Conn.


B. R. Price, Plant Mgr., Attleboro, Mass.


F. W. McNamara, Plant Mgr., Mt. Vernon, N.Y.


R. E. Burke, Sales Mgr.


C. H. Fletcher, Dist. Mgr., Los Angeles, Cal.

## our clad metals company

American Clad Metals, Pawtucket, R.I., makes clad ultra-thin metals used widely in the electronic and automotive industries. The company uses precious and non-precious metals in complex combinations. Working to tolerances three times closer than metal industry standards, ACM makes such products as metal "sandwiches" whose layers are only 1/60th the thickness of a human hair! Yet it can manufacture precision clad metals in production quantities; for example, in coils weighing as much as one ton.

(L. to R.) R. H. Almquist, Pres.; C. Lehman, Sales Mgr.; J. J. Lenz, Mgr. Metallurgy/Engrg.

## our miniature components company

Bigelow Components, Springfield, N.J., makes sub-components for ordnance, consumer durables and electronic applications. It works with metals like OFHC copper, kovar, nickel-iron alloys and stainless steel, producing parts that are cold-formed to extremely close tolerances—tolerances usually associated with precision machining operations. The largest component made at Bigelow is only 1 inch long—and some parts are so small, it would require the use of a jeweler's loupe to distinguish their configuration and features.

G. E. Petrovic, Prod. Supv.; R. A. Fowler, VP & Gen. Mgr.; F. X. Duca, Tooling Supv.; P. D. Ferrero, Office Mgr.

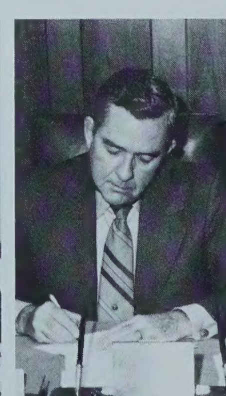
## our fabricated tubing and formed wire companies

Consolidated Tube Fabricating is headquartered in Waterbury, Conn. The company makes tubing, eyelets and ferrules. Applications are electronic, automotive, appliance and thermostatic control components—tubes, brushes, condensers, fuses, rivets and hardware. Wire-Form Inc. specializes in the high-speed production of intricate stampings, shells and flat or formed spring, which are used in drapery hardware, jewelry, cosmetic containers, toys and electrical equipment.

H. Dauphinais, Mgr. Eyelet Dept.; R. McGrath, Plant Mgr. Tubing; K. Haggerty, Sales Mgr.; R. Hezzey, Mgr. Mfg. Wire-Form; J. O'Brien, Office Mgr. Wire-Form; R. Strachan, Pres. and Treas.

## our metal powders company

Greenback Industries, with headquarters in Greenback, Tenn., makes metal powders, principally of copper and copper alloys. These powders are used for bearings, brake linings, electrical contacts, printed circuits and many other industrial applications. The process of reducing solid metals to very fine, uniform-size particles requires both an advanced technology and precise controls. For example, a pound of Greenback's copper powder receives no fewer than 67 quality control checks before shipment to the customer.



R. J. MacDonald, Pres. J. I. Farmer, VP Mktg. R. C. Woods, VP Mfg.

## our stainless steel fabricating company

Handy & Harman Metalsmiths, located in Orange, N.J., manufactures stainless steel products—primarily endless-length conveyor belts, but also tubes, utensils and custom fabrications. Metalsmiths' stainless steel conveyor belts, polished to a gleaming, highly reflective finish, are in special demand for manufacturing operations where corrosion-resistance is critical—for example, in food processing, in the production of photographic film, and in the chemical, pharmaceutical, plastics and tobacco industries.

E. P. Scott, Pres.; V. C. Broant, Plant Supt.; P. L. Cahill, Sales Mgr.

## our precision tubing company

Handy & Harman Tube, in Norristown, Pa. and Salisbury, N.C., makes small-diameter tubing of stainless steel, alloy steels and nickel alloys. This tubing—capillary, hypodermic needle, mechanical and pressure—is made to exacting specifications in physical properties as well as manufacturing tolerances. The company's tubing products are widely used in instruments and controls—in the aerospace, medical, aircraft, electronic and communications fields and, more recently, in advanced gas chromatography applications.

E. B. Bitzer, Chief Metallurgist; A. M. Bounds, Pres.; M. E. Bowman, Controller; R. M. Thompson, Sales Mgr.; F. W. Johnson, Plant Supt.

## our metal joining preforms company

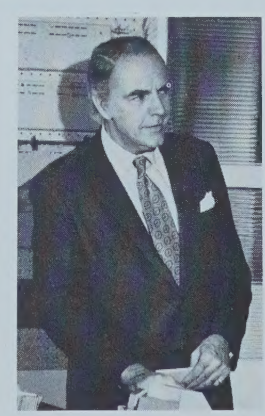
Lucas-Milhaupt (with its Ladek Metal Products Division) is headquartered in Cudahy, Wisc. The company fabricates brazing and soldering alloys into preformed rings, washers and special shapes, which are used in production metal-joining operations. The metals employed by Lucas include silver and gold alloys, aluminum and copper. Lucas-Milhaupt preforms are used in especially large quantities in the air conditioning and refrigeration, automotive, consumer appliances and electronics industries.

G. Oleck, Prod. Mgr.; H. Olson, Pres.; J. F. Lucas, Mat'ls. Mgr.

F. Marciniak, Sales; H. Bauer, Contr.; W. Lucas, Chief Engr.

## our Canadian precious metals company

Handy & Harman of Canada (Toronto, Ont.) makes products similar to those of the parent company—precious metal alloys in mill forms. Its silver brazing alloys, fine sterling anodes and silver grain and wire are used in Canada's automotive, electronic and refrigeration industries. (An unusual production facility is a 350-ton extruder capable of continuous production of 6-strand brazing alloy wire.) The company makes karat and dental golds as well. And it is a leading refiner of precious metals from industrial scrap.



W. J. Gladish, Controller

D.M. Burpee, Pres.& Treas.; N. G. Waddell, VP-Plant and Sales

## our specialty metals group

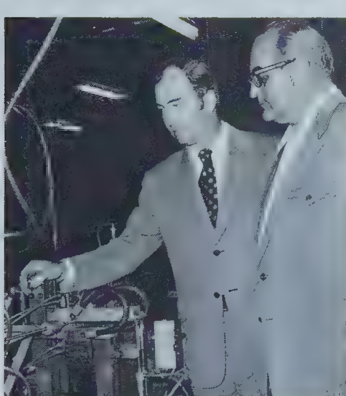
The Handy & Harman Specialty Metals Group functions as a service organization to its member companies—Maryland Specialty Wire, Inc. with its Hi-Alloys Division; Pennsylvania Wire Rope Corp.; Rathbone Corp.; and Rigby-Maryland (Stainless) Ltd.

F. C. Rittenhouse, VP Sales; J. Kurzmann, Sec'y-Treas.; D. C. Wilke, Eng.; L. C. Hanratty, Controller; D. C. Cannon, VP Marketing Research & Development

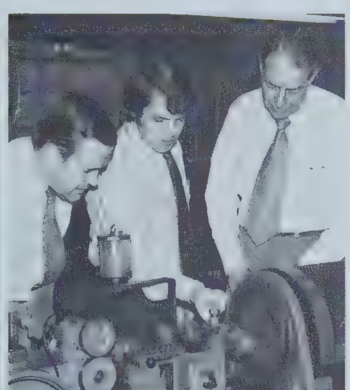
D. J. Harman, Gen. Supt.; R. Nash, Jr., Pres.; G. A. Kurisky, Dir. of Sales; J. Faughnan, Mfg. Mgr. Hi-Alloys

## our specialty wire company

Maryland Specialty Wire (with its Hi-Alloys Division) is located at Cockeysville, Md. It makes precision drawn wire of stainless steel, monel, inconel and multiphase alloys. Its products are used in industries requiring precision control components— such as environmental protection, aerospace, medical, etc.—and in applications where manufacturing tolerances and physical properties are critical. Maryland wire can be found in cardiac pacemakers, pollution control filters, and in corrosion-resistant oceanographic cable.



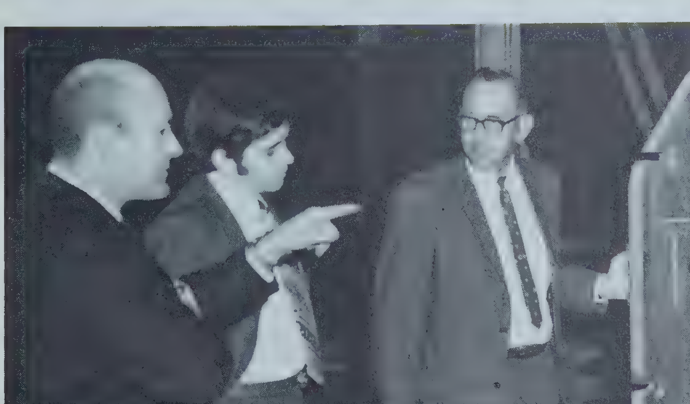
J. M. Concaugh, Gen. Mgr. Martinsburg Plant; J. R. Kraus, Pres.



R. Millar, Asst. Sls. Dir.; L. J. Packard, Supt.; A. A. Burleigh, Sls. Dir.

## our wire cable company

Pennsylvania Wire Rope, with plants in Williamsport, Pa. and Martinsburg, W. Va., manufactures small-diameter wire cable from stainless steel and high carbon steel wire. Pennsylvania Wire Rope is a major supplier of complete brake cable assemblies to the automotive industry. In addition, its wire cable, supplied as footage on reels or in precisely-cut lengths, is used in aircraft and leisure products applications—and as a component of mechanical control systems in many other industries.



L. S. Dorsett, President & Gen. Mgr.; S. R. McCann, Dir. of Sales; R. Clough, Prod. Supt.

## our profile-drawing company

Rathbone Corporation, in Palmer, Mass., makes cold drawn brass and steel rods with distinctive and precise cross-section shapes. The rods may be easily cut to length by users to make completely-formed, close-tolerance parts like gears, pivots and cams. The use of cold-drawing techniques to eliminate much expensive machining reduces the cost of these parts—encouraging their widespread use in office machines, typewriters, auto carburetors and magnetos, scales, locks, cameras and postage meters.

# FINANCIAL STATEMENTS

## REPORT OF INDEPENDENT ACCOUNTANTS

HURDMAN AND CRANSTOUN,
PENNEY & CO.
Certified Public Accountants

140 Broadway
New York, N.Y. 10005

To the Directors and Shareholders of Handy & Harman

We have examined the consolidated balance sheet of Handy & Harman and subsidiaries as of December 31, 1972 and 1971 and the related consolidated statements of income, shareholders' equity, and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements identified above present fairly the financial position of Handy & Harman and subsidiaries consolidated at December 31, 1972 and 1971 and the results of their consolidated operations and changes in their shareholders' equity and financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after retroactive restatement for the change, with which we concur, in the method of accounting for investments in nonsubsidiary companies as explained in Note 1 of notes to consolidated financial statements.

New York, New York
February 16, 1973

Hurdman and Cranstoun, Penney & Co
Certified Public Accountants

## CONSOLIDATED STATEMENT OF INCOME

| | Year Ended December 31, 1972 | 1971 (Note 1) |
|---|---|---|
| Sales of products and service revenues | **$235,043,889** | $171,973,210 |
| Cost of products and services | **212,403,582** | 155,686,740 |
| Gross profit | **22,640,307** | 16,286,470 |
| Selling, general, and administrative expense | **11,325,857** | 10,001,680 |
| | **11,314,450** | 6,284,790 |
| Other deductions (income): | | |
| Interest on loans | **4,072,955** | 4,064,613 |
| Provision for writedown of assets (Note 5) | **341,586** | |
| Loss (gain) on sale of property, plant, and equipment (net) | **1,813** | (201,801) |
| Other (net) | **(62,800)** | (98,106) |
| | **4,353,554** | 3,764,706 |
| | **6,960,896** | 2,520,084 |
| Provision for taxes on income (Note 6) | **3,690,000** | 1,235,000 |
| Income from continuing operations | **3,270,896** | 1,285,084 |
| Equity in loss of liquidated 50% owned company | **193,405** | 384,819 |
| Income before extraordinary items | **3,077,491** | 900,265 |
| Extraordinary (charge) credit (Note 7) | **(332,273)** | 215,811 |
| Net income | **$ 2,745,218** | $ 1,116,076 |
| Per share of common stock: | | |
| Income from continuing operations | **$1.41** | $.55 |
| Equity in loss of liquidated 50% owned company | **(.09)** | (.16) |
| Extraordinary items | **(.14)** | .09 |
| Net income | **$1.18** | $.48 |

**The accompanying summary of significant accounting policies and notes are an integral part of the financial statements**

# CONSOLIDATED BALANCE SHEET

## ASSETS

| | December 31, 1972 | December 31, 1971 (Note 1) |
|---|---|---|
| Current assets: | | |
| Cash | **$ 7,102,318** | $ 6,800,272 |
| Notes and accounts receivable (less allowance for doubtful: 1972, $663,139; 1971, $211,590) | **36,808,439** | 22,188,929 |
| Income taxes refundable | **122,500** | 643,373 |
| Inventories—at cost (Note 9) | **43,805,703** | 47,338,873 |
| Prepaid expenses and deposits | **553,868** | 558,608 |
| Deferred income tax benefit | **669,602** | 307,183 |
| Total current assets | **89,062,430** | 77,837,238 |
| Investment in and advances to 50% or less owned companies—carried at equity in net assets (Note 1) | **562,454** | 507,623 |
| Property, plant, and equipment—at cost (Note 9) | **39,623,448** | 38,481,332 |
| Less accumulated depreciation and amortization | **17,159,894** | 15,319,605 |
| | **22,463,554** | 23,161,727 |
| Deferred charges | **344,930** | 612,319 |
| Other assets | **329,336** | 221,351 |
| | **$112,762,704** | $102,340,258 |

## LIABILITIES AND SHAREHOLDERS' EQUITY

| | December 31, 1972 | December 31, 1971 (Note 1) |
|---|---|---|
| Current liabilities | | |
| Notes payable | **$ 46,927,499** | $ 42,591,089 |
| Current maturities of long-term debt (Note 2) | **130,150** | 146,892 |
| Accounts payable | **6,960,480** | 5,021,076 |
| Accrued liabilities: | | |
| Payroll, smelters charges, and other expenses | **2,141,737** | 2,105,937 |
| United States and Canadian taxes on income | **3,292,685** | 379,831 |
| Other taxes | **782,911** | 478,402 |
| Total current liabilities | **60,235,462** | 50,723,227 |
| Long-term debt, less instalments due within one year (Note 2) | **20,865,172** | 20,997,466 |
| Deferred income taxes | **274,671** | 283,983 |
| Commitments and contingent liabilities (Note 3) | | |
| Shareholders' equity: | | |
| Common stock—3,000,000 shares of par value $1 authorized; issued 2,395,729 shares (Note 8) | **2,395,729** | 2,395,729 |
| Capital surplus | **4,979,037** | 4,979,037 |
| Retained earnings (Note 2) | **25,590,443** | 24,516,846 |
| | **32,965,209** | 31,891,612 |
| Deduct treasury stock: | | |
| 1972, 74,108 shares; 1971, 72,808 shares—at cost | **1,577,810** | 1,556,030 |
| Total shareholders' equity | **31,387,399** | 30,335,582 |
| | **$112,762,704** | $102,340,258 |

**The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.**

## CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

**Years Ended December 31, 1971 and 1972**

| | Par Value $1 Common Stock | Capital Surplus | Retained Earnings | Treasury Stock Shares | Treasury Stock Cost | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| Balance, January 1, 1971: | | | | | | |
| As previously reported | $2,395,729 | $4,979,037 | $25,713,690 | 50,008 | ($1,132,010) | $31,956,446 |
| Adjustment for restatement of 50% owned companies to the equity method of accounting (Note 1) | | | (634,729) | | | (634,729) |
| As restated | 2,395,729 | 4,979,037 | 25,078,961 | 50,008 | (1,132,010) | 31,321,717 |
| Net income | | | 1,116,076 | | | 1,116,076 |
| Cash dividends on common stock—$.72 per share | | | (1,669,191) | | | (1,669,191) |
| Dividend paid by pooled company prior to pooling | | | (9,000) | | | (9,000) |
| Common stock purchased for treasury | | | | 22,800 | (424,020) | (424,020) |
| Balance, December 31, 1971 | 2,395,729 | 4,979,037 | 24,516,846 | 72,808 | (1,556,030) | 30,335,582 |
| Net income | | | 2,745,218 | | | 2,745,218 |
| Cash dividends on common stock—$.72 per share | | | (1,671,621) | | | (1,671,621) |
| Common stock purchased for treasury | | | | 1,300 | (21,780) | (21,780) |
| Balance, December 31, 1972 | $2,395,729 | $4,979,037 | $25,590,443 | 74,108 | ($1,577,810) | $31.387.399 |

The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

| | Year Ended December 31, 1972 | 1971 (Note 1) |
|---|---|---|
| Working capital, January 1 | **$27,114,011** | $18,568,015 |
| Sources: | | |
| Operations: | | |
| Income before extraordinary items | **3,077,491** | 900,265 |
| Items entering into determination of the above which did not use working capital: | | |
| Depreciation and amortization | **2,332,024** | 1,998,031 |
| Provision for writedown of assets (Note 5) | **341,586** | |
| Equity in loss of nonsubsidiary companies | **203,764** | 362,293 |
| Increase (decrease) in noncurrent deferred taxes | **(9,312)** | 117,783 |
| Working capital provided from operations exclusive of extraordinary items | **5,945,553** | 3,378,372 |
| Extraordinary items | **(332,273)** | 215,811 |
| Extraordinary item which did not use working capital: | | |
| Loss on liquidation of nonsubsidiary company | **93,773** | |
| Working capital provided from operations | **5,707,053** | 3,594,183 |
| Disposals of property, plant, and equipment | **56,218** | 448,045 |
| Cash surrender value of life insurance received | **21,833** | 27,325 |
| Long-term financing | | 10,180,000 |
| Other | **33,821** | 2,943 |
| | **5,818,925** | 14,252,496 |
| Uses: | | |
| Property, plant, and equipment acquired | **1,713,338** | 3,163,910 |
| Reduction in long-term debt | **132,294** | 176,426 |
| Cash dividends paid | **1,671,621** | 1,678,191 |
| Purchase of treasury stock | **21,780** | 424,020 |
| Investments | **559,198** | 40,898 |
| Additions to deferred charges | | 182,020 |
| Other | **7,737** | 41,035 |
| | **4,105,968** | 5,706,500 |
| Increase in working capital | **1,712,957** | 8,545,996 |
| Working capital, December 31 | **$28,826,968** | $27,114,011 |
| Changes in components of working capital: | | |
| Cash | **$ 302,046** | ($ 5,215,224) |
| Receivables | **14,098,637** | 123,205 |
| Inventories | **(3,533,170)** | 10,683,036 |
| Deferred tax benefit | **362,419** | (52,217) |
| Other current assets | **(4,740)** | (348,700) |
| Increase in current assets | **11,225,192** | 5,190,100 |
| Notes payable | **4,336,410** | (4,378,212) |
| Accrued liabilities | **3,253,163** | 528,005 |
| Other current liabilities | **1,922,662** | 494,311 |
| Increase (decrease) in current liabilities | **9,512,235** | (3,355,896) |
| Increase in working capital | **$ 1,712,957** | $ 8,545,996 |

**The accompanying summary of significant accounting policies and notes are an integral part of the financial statements.**

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### a—Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The accounts of the Canadian subsidiary are translated at appropriate rates of exchange (current items at year-end rates, noncurrent at historical rates, and income and expense items at average rates). Translation gains are not material. All significant intercompany items have been eliminated.

### b—Inventories

Precious metal inventories are valued principally at cost as computed under the last-in, first-out (LIFO) method, which is lower than market. Other precious metals are stated at replacement value. Nonprecious metal inventories are stated at the lower of cost (principally average) or market.

### c—Property, plant, and equipment and depreciation

Property, plant, and equipment are carried at cost. Depreciation and amortization are provided principally on the straight-line method. Certain of the subsidiaries compute depreciation under accelerated methods. Generally, buildings are depreciated over 50 years and machinery and equipment over 14 years.

### d—Research and development

Research and development costs are charged to operations as incurred. Purchased computer systems and programming costs are generally capitalized and amortized over periods not to exceed five years.

### e—Revenue recognition

Service revenues, which represent charges to customers for processing refining lots, are recognized in income when the lots are settled with the customer as to precious metal content. Additional costs and smelter charges relating to the settled lots are accrued at that time.

### f—Retirement plans

The Company and certain of its subsidiaries have noncontributory retirement plans for the benefit of eligible employees. Pension costs are calculated by the Company's consulting actuary to include amortization of prior service cost, generally over a period of thirty years from the inception of the respective plan. The Company's policy is to fund pension costs accrued. The assets of the respective funds exceed the present value of the vested benefits.

### g—Taxes on income

The Company files a consolidated Federal income tax return with all its domestic wholly owned subsidiaries. The job development investment credit is recorded as a reduction of the provision for income taxes under the flow-through method.

Timing differences in reporting certain transactions for financial statement purposes that are recognized in tax returns of other periods are appropriately accounted for as deferred taxes. Net operating tax loss carryforwards are recognized when their utilization is assured.

The Company's policy is to reinvest undistributed earnings of its Canadian subsidiary in working capital requirements of that company. Therefore, in accordance with Opinion Number 23 of the Accounting Principles Board, there is no recognition of domestic income tax expense on such undistributed earnings in the accompanying financial statements. Undistributed earnings of 50% or less owned companies carried on the equity method are presently not material.

### h—Income per share

Per share amounts are based on the weighted average number of shares outstanding during the years, adjusted retroactively, when applicable, for shares issued in a pooling of interests transaction. Outstanding stock options are considered common stock equivalents using the treasury stock method and are included in the calculation when their effect would be dilutive.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—1972 AND 1971

### 1—Investments

Effective January 1, 1972, the Company adopted the equity method of accounting for investments in 50% or less owned companies. In accordance with Opinion Number 18 of the Accounting Principles Board of the AICPA, prior year's financial statements have been restated retroactively to reflect the Company's equity in earnings, losses, and net assets of these companies.

### 2—Long-term debt

| | December 31, 1972 | December 31, 1971 |
|---|---|---|
| 5%-6½% mortgages and chattel mortgages, payable principally by subsidiaries at various maturity dates to 1986 | $ 535,322 | $ 617,008 |
| Other 5% notes, payable by subsidiaries to 1973 | 20,000 | 47,350 |
| 5⅝% note, payable by a subsidiary in annual instalments of $40,000 to 1979 | 280,000 | 320,000 |
| 6½% debentures due 1979, payable by a subsidiary | 160,000 | 160,000 |
| 7⅜% note, payable in annual instalments of $667,000 from 1974 to 1988 | 10,000,000 | 10,000,000 |
| 9% note, payable in annual instalments of $667,000 from 1977 to 1991 | 10,000,000 | 10,000,000 |
| | 20,995,322 | 21,144,358 |
| Less instalments due within one year | 130,150 | 146,892 |
| | $20,865,172 | $20,997,466 |

The agreement relating to the 9% note contains certain restrictions on the payment of cash dividends and the acquisition of capital stock of the Company. The amount of consolidated retained earnings unrestricted for such purposes at December 31, 1972 was $2,587,236. The agreement further provides, among other things, for the maintenance of minimum working capital of $20,204,413. Consolidated working capital at December 31, 1972 was $28,826,968.

### 3—Commitments and contingent liabilities

a—On June 15, 1970 a suit was commenced in the Superior Court of Fairfield County, Connecticut against the Company and five other corporations and several Connecticut cities and towns by Connecticut Conservation Association, Inc. and three individuals identified as oystermen or fishermen. The complaint alleges that the defendants are polluting the waters of Long Island Sound and some of its tributaries. The plaintiffs seek a permanent injunction against further destruction of the marshlands and wetlands of the State of Connecticut and against further pollution of the waters and seek damages in the sum of $150,000,000. The case is currently pending, with no trial date set as yet. The Company believes that this action will not materially affect or interfere with its operations, and counsel for the Company believes that the Company can successfully defend this action.

b—The Company is lessee under four leases expiring from 1975 to 1982 requiring current annual rentals aggregating $275,000. In addition, certain of its subsidiaries are obligated under leases expiring through 1980 at current annual rentals totaling $82,000.

### 4—Flood losses

Costs to repair or replace inventory and equipment resulting from damage caused by Hurricane Agnes approximated $350,000 ($.07 per share after tax) and have been charged to operations during the year ended December 31, 1972.

### 5—Provision for writedown of assets

In January 1973 the Company decided to discontinue the manufacture of magnetite powders. As a consequence, assets involved in this operation have been written down to estimated realizable value ($150,000), resulting in a net charge against 1972 income of $196,000 ($.08 per share) after deferred tax benefit.

### 6—Taxes on income

The provision for taxes on income comprised the following:

| 1972 | Currently Payable | Deferred | Total |
|---|---|---|---|
| State and local | $ 591,701 | ($ 39,700) | $ 552,001 |
| Canadian | 411,420 | | 411,420 |
| Federal | 3,114,879 | ( 388,300) | 2,726,579 |
| | $4,118,000 | ($428,000) | $3,690,000 |
| Job development investment credit | | | $ 116,320 |

| 1971 | Currently Payable | Deferred | Total |
|---|---|---|---|
| State and local | $209,711 | $ 55,000 | $ 264,711 |
| Canadian | 115,666 | | 115,666 |
| Federal | 499,623 | 355,000 | 854,623 |
| | $825,000 | $410,000 | $1,235,000 |
| Job development investment credit | | | $ 99,963 |

Provisions of Canadian tax law require precious metal inventories to be valued at the lower of year-end market or average market price for the year, which amount is in excess of stated value, in the accompanying financial statements, as computed under the LIFO method. This resulted in an increase of the Canadian provision for taxes of $137,051 ($.06 per share), which may be recovered in future years if the market values of precious metal decline.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—1972 AND 1971

The Company has a realized capital loss carryforward of $1,215,345, which expires in 1977, resulting from the liquidation of Electric Thermometers Trinity, Inc. (Note 7). Operating loss carryforwards totaling $509,540 resulting from the losses of a predecessor corporation of a subsidiary may be used in diminishing amounts through 1974 to offset earnings of that subsidiary.

Tax returns of the Company have been examined and settled through 1966 (from 1959 to 1970 in the case of subsidiaries) and all adjustments are reflected in the accompanying financial statements. The Company believes that adequate provision has been made in the accounts for periods subsequent to those dates.

### 7—Extraordinary items

The extraordinary charge in 1972 represents the Company's equity in the loss sustained on liquidation of Electric Thermometers Trinity, Inc., a 50% owned company, plus payment of a portion of ETT's indebtedness to a bank which had been guaranteed by the Company, less related tax benefits in the amount of $26,000.

The credit in 1971 represents the excess of proceeds over the cash surrender value from an insurance policy covering the life of a former shareholder of a pooled company.

### 8—Stock options

At December 31, 1972, 74,108 shares of common stock held in the treasury were reserved for issuance under the Company's 1972 Stock Option Plan. Transactions under the 1965 and 1972 Plans during 1972 (there were none in 1971) are summarized below:

| | Shares Available for Option | Shares Under Option | |
|---|---|---|---|
| | | Shares | Range of Prices |
| January 1, 1971 and 1972 | | 48,500 | $19.68-$31.63 |
| Options expired 1972 | 3,500 | (3,500) | $25.50 |
| Adoption of 1972 Stock Option Plan | 100,000 | | |
| Options granted | (15,000) | 15,000 | $18.00 |
| Balance, December 31, 1972 | 88,500 | 60,000 | $18.00-$31.63 |

Of the shares under option, 28,400 were exercisable at December 31, 1972 and the balance will become exercisable during the years 1973 to 1982.

### 9—Supplemental information

| | 1972 | 1971 |
|---|---|---|
| a—Inventories: | | |
| Precious metals: | | |
| Fine and fabricated metals in various stages of completion | $35,117,852 | $38,048,874 |
| Nonprecious metals: | | |
| Base metals, factory supplies, and raw materials | 4,974,981 | 5,648,288 |
| Finished goods | 2,197,702 | 1,810,893 |
| Work in process | 1,515,168 | 1,830,818 |
| | $43,805,703 | $47,338,873 |
| Precious metals stated at LIFO cost | $34,837,537 | $37,134,919 |
| LIFO inventory—excess of year-end market value over stated value | $31,143,996 | $ 9,804,834 |
| December 31 market value per ounce: | | |
| Silver | $ 2.042 | $ 1.38 |
| Gold | $65.20 | $43.85 |
| Market value of precious metals held for customers | $12,337,000 | $ 9,943,000 |
| b—Property, plant, and equipment: | | |
| Land | $ 1,030,425 | $ 941,397 |
| Buildings and improvements | 12,312,902 | 11,703,489 |
| Machinery and equipment | 23,874,060 | 22,358,458 |
| Furniture and fixtures | 1,120,792 | 1,085,618 |
| Automobiles | 440,728 | 453,267 |
| Improvements to leased property | 445,176 | 447,178 |
| Construction in progress | 399,365 | 1,491,925 |
| | $39,623,448 | $38,481,332 |
| Depreciation and amortization charged to operations | $ 2,160,155 | $ 1,929,524 |
| c—Pension information: | | |
| Cost charged to operations | $ 929,247 | $ 892,675 |
| Unfunded prior service cost | $ 1,932,587 | $ 1,659,411 |
| d—Undistributed earnings of Canadian subsidiary | $ 1,122,727 | |
| e—Shares of Handy & Harman common stock held in escrow to secure warranties against undisclosed liabilities of companies acquired in poolings of interests transactions | 6,000 | |

## HANDY & HARMAN

Executive and General Offices
850 Third Avenue, New York, N.Y. 10022

## PLANTS

Fairfield, Conn.
Mt. Vernon, N. Y.
El Monte (Los Angeles), Calif.
Attleboro, Mass.

## SERVICE BRANCHES/SALES OFFICES

Attleboro, Mass.
Cleveland, Ohio
Dallas, Texas
Elk Grove Village (Chicago), Ill.
El Monte (Los Angeles), Calif.
New York, N.Y.
Southfield (Detroit), Mich.

## SUBSIDIARIES/DIVISIONS

American Clad Metals, Inc.
Pawtucket, R. I.

Bigelow Components Corporation
Springfield, N.J.

Carolina Tube Company, Inc.
Salisbury, N. C.

Consolidated Tube Fabricating Corp.
Waterbury, Conn.

Greenback Industries, Inc.
Greenback, Tenn.

Handy & Harman Metalsmiths Division
Orange, N. J.

Handy & Harman Tube Co., Inc.
Norristown, Pa.

Hi-Alloys Division of Maryland Specialty Wire, Inc., Cockeysville, Md.

Ladek Metal Products Division of Lucas-Milhaupt, Inc., Cudahy, Wisc.

Lucas-Milhaupt, Inc.
Cudahy, Wisc.

Maryland Specialty Wire, Inc.
Cockeysville, Md.

Pennsylvania Wire Rope Corporation
Williamsport, Pa.

Rathbone Corporation
Palmer, Mass.

Wire-Form, Inc.
Milldale, Conn.

## IN CANADA

Handy & Harman of Canada, Ltd.
Toronto, Ont., and Montreal, Que.

## IN ENGLAND

Rigby-Maryland (Stainless) Ltd.
Heckmondwike, Yorkshire
(Owned jointly with Richard Johnson & Nephew, Ltd.)

## IN JAPAN

Japan Handy Harman, Ltd.
Koshigaya (Tokyo)
(Owned jointly with Mizuno Precious Metals Ltd. and Ataka and Company, Ltd.)

## PRODUCTS

Easy-Flo, Sil-Fos and other silver brazing alloys, in all forms
High temperature brazing alloys
Aluminum brazing alloy
Handy Fluxes for silver brazing
Fine silver and fine gold
Sterling silver
Karat golds and gold solders
Precious and non-precious clad metals
Gold and silver anodes
Gold plating salts
Silver powders, flakes and oxide
Silver contact alloys and sintered products
Non-ferrous powders
High purity copper, bronze, oxide powders
Dental golds and powders
Preforms, rings, stampings of ferrous and non-ferrous metals
Small diameter, precision drawn stainless steel, carbon steel, nickel alloy tubing
Formed tubing parts
Miniature components of ferrous and non-ferrous metals for electronic and electrical industries
Specialized stainless steel products
Tool steels
Stainless steel, monel, inconel, nickel alloy wire drawn to fine gauges
Wire rope and cable, automotive brake assemblies
Cold drawn profile shapes, pinion rods

## SERVICES

Refining service for all forms of waste materials and scrap parts containing precious metals